



State of California
Employment Training Panel

Arnold Schwarzenegger, Governor

June 23, 2010

Cheryl Slobodian
Director, Operations Support
California Manufacturing Technology Consulting
690 Knox Street, Suite 200
Torrance, CA 90502

Dear: Ms. Slobodian

Enclosed is our final audit report relative to the Employment Training Panel Agreement No. ET06-0280 for the period April 5, 2006 through April 4, 2008.

The report indicates California Manufacturing Technology Consulting complied with the terms of the Agreement and the California Unemployment Insurance Code.

We appreciate the courtesy and cooperation extended to our auditor during the audit. If you have any questions, please contact Stephen Runkle, Audit Manager, at (916) 327-4758.

Sincerely,

Original signed by:

Stephen Runkle
Audit Manager

Enclosures

cc: Rocio Leon, Training Manager
Edith Nunez-Leyden, Supervisor ETP Contract Administration

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CALIFORNIA MANUFACTURING TECHNOLOGY CONSULTING

Agreement No. ETo6-0280

Final Audit Report

For The Period

April 5, 2006 through April 4, 2008

Report Published June 23, 2010

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AUDITOR'S REPORT

Summary

We performed an audit of California Manufacturing Technology Consulting, Agreement No. ET06-0280, for the period April 5, 2006 through April 4, 2008. Our audit pertained to training costs claimed by the Contractor under this Agreement. Our audit fieldwork was performed during the period October 19, 2009 through October 22, 2009.

The Employment Training Panel (ETP) paid the Contractor a total of \$1,107,258. Our audit supported that the entire \$1,107,258 is allowable. However, we noted an administrative finding for inaccurate reporting of trainee wage rates.

AUDITOR'S REPORT (continued)

Background

California Manufacturing Technology Consulting (CMTC) is private, non-profit corporation founded in 1992 to help California manufacturers remain competitive. CMTC operates through a cooperative agreement between the US Department of Commerce and the California Department of Business, Transportation and Housing.

This Agreement is the seventh between ETP and CMTC. Prior to the Agreement, employer surveys conducted by CMTC to assess training demand indicated that California manufacturers constantly face challenges, such as rising production costs and the need to upgrade employee skills. Survey results also revealed that manufacturers encounter varying degrees of difficulty depending on region, industry sector, and operational size. Therefore, CMTC staff consultants met directly with employers to assess specific objectives and devise improvement projects that help companies achieve their goals. Those assessments guided development of this Agreement to include training in Business Skills, Computer Skills, Continuous Improvement, Hazardous Materials Literacy Skills, as well as Manufacturing and Management Skills.

This Agreement allowed CMTC to receive a maximum reimbursement of \$2,055,810 for retraining 2,100 employees. During the Agreement term, the Contractor placed 1,504 trainees and was reimbursed \$1,107,258 by ETP.

Objectives, Scope, and Methodology

We performed our audit in accordance with *Government Auditing Standards*, promulgated by the United States General Accounting Office. We did not audit the financial statements of California Manufacturing Technology Consulting. Our audit scope was limited to planning and performing audit procedures to obtain reasonable assurance that California Manufacturing Technology Consulting complied with the terms of the Agreement and the applicable provisions of the California Unemployment Insurance Code.

Accordingly, we reviewed, tested, and analyzed the Contractor's documentation supporting training cost reimbursements. Our audit scope included, but was not limited to, conducting compliance tests to determine whether:

- Trainees were eligible to receive ETP training.
- Trainees received the minimum training hours specified in the Agreement.
- Trainees were employed continuously full-time with a single employer for 90 consecutive days after completing training, and

AUDITOR'S REPORT (continued)

the 90-day retention period was completed within the Agreement term.

- Trainees were employed in the occupation for which they were trained and earned the minimum wage required at the end of the 90-day retention period.
- The Contractor's cash receipts agree with ETP cash disbursement records.

As part of our audit, we reviewed and obtained an understanding of the Contractor's management controls as required by *Government Auditing Standards*. The purpose of our review was to determine the nature, timing, and extent of our audit tests of training costs claimed. Our review was limited to the Contractor's procedures for documenting training hours provided and ensuring compliance with all Agreement terms, because it would have been inefficient to evaluate the effectiveness of management controls as a whole.

Conclusion Our audit supported California Manufacturing Technology Consulting complied with the terms of the Agreement and the California Unemployment Insurance Code. As a result, the entire reimbursed amount of \$ 1,107,258 is allowable.

Records Please note the ETP Agreement, Paragraph 5, requires you to assure ETP or its representative has the right, "...to examine, reproduce, monitor and audit accounting source payroll documents, and all other records, books, papers, documents or other evidence directly related to the performance of this Agreement by the Contractor... This right will terminate no sooner than four (4) years from the date of termination of the Agreement or three (3) years from the date of the last payment from ETP to the Contractor, or the date of resolution of appeals, audits, or litigation, whichever is later."

Stephen Runkle
Audit Manager

Fieldwork Completion Date: October 22, 2009

This report is a matter of public record and its distribution is not limited. The report is intended for use in conjunction with the administration of ETP Agreement No. ET06-0280 and should not be used for any other purpose.

FINDINGS AND RECOMMENDATIONS

FINDING NO. 1 – Trainee hourly wage rates reported by California Manufacturing Inaccurate
Reporting Technology Consulting (CMTC) on invoices submitted to ETP were inaccurate. As a result, the Contractor did not comply with Agreement reporting requirements. Thus, we have assessed an administrative finding for inaccurate reporting of trainee wage rates.

Paragraph 2 (d) of the Agreement states, “Contractor shall submit invoices and necessary statistical data to ETP in form and manner prescribed by ETP.” Accurate, complete trainee wage rate information is required to verify compliance with Exhibit A, page 4, Paragraph VII.A of the Agreement. This section states, “Each trainee must be employed full-time... for a period of at least ninety (90) consecutive days immediately following the completion of training... Wages at the end of the 90-day retention period shall be equal to or greater than the wages listed in [the Agreement].”

We documented actual trainee wage rates based on employer responses for 39 of the 60 initial random sample trainees for whom Employment Verification Questionnaires were mailed. Trainee wage rates reported by CMTC varied by 5 percent or more from actual wage rates for 16 of the 39 trainees (41 percent).

Recommendation In the future, CMTC should ensure all trainee data submitted to ETP is accurate and complete. Inaccurate or incomplete data may result in repayment of unearned funds, plus applicable interest, to ETP.